

Nasdaq slumps for day 2

Wall Street struggles as investors eye Lehman Brothers, Apple, record gas prices and cautious comments from Fed officials

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NEW YORK (CNNMoney.com) -- Financial and tech shares dragged on stocks Monday as investors eyed Lehman Brothers' big quarterly loss, Apple's announcement of a new iPhone and some cautious talk from a pair of Fed officials.

Oil prices retreated more than \$4 a barrel, but failed to reassure investors worrying about inflation.

The Dow Jones industrial average ([INDU](#)) gained a few points, with 30 minutes left in the session, while the broader Standard & Poor's 500 ([SPX](#)) index lost 0.4%. The Nasdaq composite ([COMP](#)) lost 1.2%.

Lehman's quarterly loss dragged on that stock and eventually on the broader bank sector. Apple ([AAPL](#), [Fortune 500](#)) shares plunged 4% even as the company announced a cheaper, faster phone at the World Wide Developers Conference in San Francisco. ([Full story](#))

A pair of Fed officials issued comments adding to concerns that the Federal Reserve may have to raise interest rates later this year to counter higher [inflationary](#) pressure. New York Fed President Timothy Geithner gave a speech to that effect, as did Dallas Fed President Richard Fisher.

"We're fragile after Friday's selloff and you're seeing the Nasdaq get hit the worst today," said **Joseph Saluzzi**, co-head of equity trading at **Themis Trading**. "The Fed speak has been a factor too, with a few guys coming out talking about the inflation risks."

He said investors were dumping Apple shares as they sorted through information coming out of the conference, meanwhile Google ([GOOG](#), [Fortune 500](#)), Research in Motion ([RIMM](#)) and other techs were getting hit too

On the upside, a surprisingly strong May sales report from McDonald's helped lift the retail sector. Dow stocks Alcoa and Exxon Mobil rallied, even though commodity prices declined. In addition, the pending home sales index, a measure of sales under contract to sell in April [rose](#) 6.3% versus forecasts for a drop.

In other news, presumptive Democratic nominee Barack Obama has called for Congress to inject another \$50 billion into the economy amid the economic downturn.

Stocks sank Friday, with the Dow losing 395 points, after oil prices spiked more than \$11 a barrel and the May jobs report showed a big jump in the unemployment rate.

Company news: Lehman Brothers ([LEH](#), [Fortune 500](#)) [reported](#) a steep \$2.8 billion loss and said it plans to raise \$6 billion in additional capital. Following the news, ratings agency Moody's cut its outlook on the company to "negative" from "stable." Shares fell more than 7%.

Elsewhere in the financial sector, CIT ([CIT](#), [Fortune 500](#)) rallied more than 10% on news that it has agreed to a \$3 billion long-term committed financing facility that Goldman Sachs will provide.

On the upside, Dow component McDonald's ([MCD](#), [Fortune 500](#)) reported a 7.7% rise in May sales of stores open a year or more, topping forecasts for a rise of 3.6%. Shares rose nearly 2%.

Fellow Dow component Honeywell ([HON](#), [Fortune 500](#)) said it is selling its consumables solutions business to BE Aerospace ([BEAV](#)) for \$1.05 billion.

Gas hits new record: The national average price for a gallon of regular unleaded [gas](#) rose to a record \$4.023 from a record 4.005 the previous day, AAA reported.

Oil prices slumped, with U.S. light crude oil for July delivery losing \$4.19 to settle at \$134.35 a barrel on the New York Mercantile Exchange.

Other markets: The [dollar](#) gained versus the euro and yen, recovering after its recent slide.

Treasury [prices](#) slumped, raising the yield on the 10-year note to 4.01% from 3.91% late Friday. Bond prices and yields move in opposite directions.

COMEX [gold](#) for August delivery fell 90 cents to \$898.10 an ounce ■